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FM AMEMBASSY JAKARTA  
TO RUEHC/SECSTATE WASHDC 6313  
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS  
RUEHKO/AMEMBASSY TOKYO 0813  
RUEHBY/AMEMBASSY CANBERRA 1194  
RUEHWL/AMEMBASSY WELLINGTON 1770  
RUCPDOC/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RHMFIUU/DEPT OF ENERGY WASHINGTON DC  
RUEHRC/USDA FAS WASHDC

UNCLAS SECTION 01 OF 02 JAKARTA 002616

SIPDIS

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SENSITIVE

DEPT FOR A/S HILL AND EAP/MTS  
TREASURY FOR IA-BAUKOL  
SINGAPORE FOR BAKER  
DEPT PASS USTR FOR DBHATIA AND DKATZ  
COMMERCE FOR 4430/GOLIKE  
ENERGY FOR A/S HARBERT, CUTLER AND GILLESPIE

E.O. 12598: N/A

TAGS: [ECON](#) [PGOV](#) [EINV](#) [SENV](#) [ID](#)

SUBJECT: U/S Jeffery Meeting with Vice President Kalla

**¶1.** (SBU) Summary. Vice President Jusuf Kalla and Under Secretary Reuben Jeffery discussed U.S.-Indonesia cooperation in anti-corruption, energy security, and climate change during a forty-minute meeting on September 11. Kalla returned to his customary theme of the importance of stability and economic security for the Indonesian people amidst the continuing social upheaval that accompanies democratization. Kalla also expressed the hope that the U.S. and EU can achieve a breakthrough on agricultural subsidies to save the Doha Development Round. End Summary.

**¶2.** (SBU) Kalla started the meeting by observing that Indonesia had learned a great deal from the Asian financial crisis ten years ago. He expressed confidence that the sub-prime mortgage meltdown in the U.S. would have little effect on Asia, in general, and Indonesia, in particular. He said the Indonesian financial system was in a much stronger position than ten years ago. Soaring commodity prices have caused some pain domestically but have also been a boon to a host of primary products industries, which are Indonesia's strength.

**¶3.** (SBU) Turning to the first theme of U/S Jeffery's visit - anti-corruption efforts - Kalla said no other country in the region has arrested as many public officials, whether at the national or local level, as Indonesia. He said the GOI has served notice to all politicians and bureaucrats that corruption will not be tolerated. He repeated his complaint that the initial success of the GOI's anti-corruption efforts has caused increased cautiousness by public officials regarding contracts and procurement.

**¶4.** (SBU) Kalla welcomed U/S Jeffery's offer of increased cooperation in energy security and noted that the GOI is looking for more foreign direct investment (FDI) across the board in energy. He said the GOI's energy plan calls for the country to diversify its energy mix and seeks FDI in oil, natural gas, coal, as well as in non-traditional biofuels and coal-bed methane. Kalla added that growing interest in biofuels has been a boon for crude palm oil (CPO) producers who grow the feedstock for biodiesel, but it has also had two less than salutary impacts. Rising global corn prices as a result of the U.S. ethanol program have raised the price of chickens in Indonesia, which is both upsetting and perplexing to the average Indonesian. He said the boom in CPO has also meant the doubling of cooking oil prices domestically. The GOI has had to raise its outlays for subsidized cooking oil, but the budget cannot accommodate a full subsidy. Kalla noted the second impact was in the form of increased pressure on Indonesian forests. The GOI is

under pressure to clear more land for palm oil plantations. GOI policy is to create harmony between the need for a clean environment, plentiful food supplies, and energy security.

¶15. (SBU) Warming to his subject, Kalla talked at length on the need to make best use of marginal land for biofuels feedstock. He said already cleared land that was unused for food production was ideal for cultivating the jatropha plant, which can also be used for biofuels feedstock. "We can use jatropha," he said, "to maximize biofuels without hurting food production or the forests." Kalla also welcomed U/S Jeffery's offer to seek ways to share U.S. technology in biofuels since the U.S. faces the issue of food versus fuel in the biofuels arena.

¶16. (SBU) Turning to climate change, Kalla mentioned that President Yudhoyono would be traveling soon to New York for a UN meeting on the subject and that Indonesia was proud to be hosting COP-13 in Bali in December. Kalla noted that Indonesia has great environmental challenges but that it was not alone in that regard. He said the rest of Asia, Africa, and India all share the same concerns about sustainable development. Kalla added that environmental problems - like haze from land-clearing fires - were a big concern to everyone in the region. Kalla said the GOI is looking for international cooperation on the environment and would be glad to partner with the U.S.

¶17. (SBU) Kalla then returned to one of his frequent themes with official USG visitors: the need for economic security for Indonesians as democratization continues apace. He noted that Indonesia and the U.S. have partnered successfully in counter-terrorism efforts. However, Indonesia will require sustained economic development to fight poverty and unemployment. The people of Indonesia need stability and economic development, not

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just democracy. "What good is democracy without growth and stability?" he asked. Indonesia needs FDI for growth and noted that the Department of State travel warning is not helpful in getting potential investors to visit Indonesia.

¶18. (SBU) In closing, Kalla expressed his hope that the U.S. and EU can bridge their differences on agricultural subsidies to save the Doha Development Round. He added that Indonesia had a great interest in seeing agriculture subsidies eliminated as this would benefit Indonesian farmers. Kalla mused that the proliferation of bilateral agreements around the region might complement the Doha talks and noted that Indonesia had recently signed bilateral deals with Japan and Korea.

¶19. (U) U/S Jeffery cleared this cable.

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